

Identification of Savings Opportunities

Building on the core team's previous training, GT and the core team identified additional opportunities by looking at base-wide processes holistically. We provided assistance to the core team in attributing the model for additional base-wide secondary processes, in order to establish the true cost for those processes. We also identified activities within the model that consumed significant contract and supply support to focus attention on consumption of resources other than FTE. As part of the directorates' training, Primary/Secondary and Value/Non-value attributes were added to the model. Directorate briefings itemized items some directors found important. Additionally, GT developed an easy to use *Process Identification Tool* that identifies each activity's "common" attributes, in Pareto sequence to support ongoing process improvement identification efforts. Some of the identified savings opportunities are discussed below.

Contracts and Supplies

Contracts and supplies consume about 24% of the air station's resources; \$27.3 million and \$9 million, respectively. The Commanding General has directed a detailed review of all contracts to identify potential savings opportunities. Examining both contract support and supplies consumed in the context of the activities that consume them could generate significant savings. For example, tying contract specifications to a specific standard, reducing scope to meet current requirements, and avoiding contract support for "emergency" response will reduce cost. In the same way, ensuring supply consumption is commensurate with the activity performed, and avoiding "year-end" buying may prove a significant cost avoidance. Taking these steps to reduce cost usually have little adverse impact on the activity performed, and serve to preserve human capital to further the organization's goals.

Secondary Activities

As is the case with most initial models, some functional areas may not have allocated sufficient costs to their organizational secondary activities, or may have allocated those costs at the task level. Others may have allocated more costs than necessary. These issues will require continued review and improvement to model structure and information. However, the model provides sufficient data to take action in the near-term to reduce resource consumption by secondary activities.

Across all air station functional areas, the amount of cost captured in several base-wide activities at MCAS Cherry Point is:

Budget Formulation and Execution	\$2,018,252
Contract Administration	\$3,793,363
Information Technology	\$3,108,441
Supply and Logistics	\$4,687,222
Training	\$5,657,347

The Commanding General's focus on reviewing these processes across the air station, rather than within individual organizations, is important. Examination of these processes found that functional personnel devoted significant time to secondary activities, as much as 70%. Experience shows that these processes are often complex, rife with duplication, require significant rework by the process owner, and are continuously beset by communication breakdowns that result in wasted time and effort. For example, consolidating administrative activities within directorates, as is occurring in the Marine Corps' reporting units, could produce significant savings opportunities, and allow people to focus their attention on their primary duties.

Experience also has shown that savings of between 5-20% are achievable by using ABM to marginally improve activities. Organization secondary costs should be contained to less than 10% or 15% of total costs. These costs consume over 22% of the resources available at MCAS Cherry Point, or almost \$33.9 million. Individually, directorates consume between 8%¹ and 71% of their resources to secondary activities.

Reducing the overhead by just 5% can save almost \$1.7 million across the base. For example, the Comptroller has identified over 40% savings achievable in just one process. Recognizing the opportunities presented by ABM analysis of these activities, the CAR and core team have begun examining them as follows:

Budget Formulation and Execution

The Comptroller and core team personnel examined the process of developing and executing the budget because of its cost, complexity, the appearance of duplication in the process, and the criticality to supporting the air station and MCABE. Using the ABM improvement process, financial managers have begun to identify process improvement opportunities that will result in significant cost savings to the air station. Using attributes, over \$2 million was identified as spent in FY99 to execute and account for the air station's budget. The Comptroller identified an additional \$346,000 as additional resources not found in the model. The total reflects the efforts of 80 people expending over 56 work years of effort. Over \$1.1 million of this amount is spent on budget and execution activities outside the Comptroller's office.

The budget office initiates action in the development process at MCAS Cherry Point. Directorates and sections develop their own budgets based on the previous year's allocation, adjusted for programs, projects, etc. planned for the following year. This means that many managers are spending time developing this information, with or without assistance. The responsibility of the budget office is to provide the funding guidance (ceiling), perform analysis of directorate submissions, and to consolidate and review input. The budget officer, however, relates there are several areas of duplication, review and revision throughout the process, adding to its complexity. When funding becomes available, the budget officer distributes obligating authority in accordance with the budget.

¹ Facilities Directorate calculation does not include activities under A76

The Comptroller has identified significant transaction input error by directorate personnel. To prevent the appearance of high error rates in standard Defense Finance and Accounting Service (DFAS) reports, the Comptroller's office expends significant rework effort reviewing and correcting transactions prior to their appearance in unresolved error reports. When examining possible causes of errors, Comptroller believes a strong correlation exists between the experience (full time or additional duty, accounting specialty, etc.) of the person inputting the transactions and the number of errors requiring resolution in the Standard Accounting and Budgeting Reporting System (SABRS) system. He is conducting analysis to validate this perception. Budget analysts and fiscal clerks are spread throughout the air station and many execute their fiscal responsibility as an additional duty. These analysts may lack the time or training to perform effectively, resulting in an increased need for system reconciliation and error correction.

The answer to these issues may be in pooling the "recording and reporting" activities of the process, while improving the timeliness and accuracy of information available to managers to enhance their decision-making capability. This can be achieved by reassigning the responsibility for accounting and analysis to the Comptroller's office. Taking action to consolidate would result in a smaller, but more professional pool of financial management personnel focused on correct and timely data input and analysis. The exact method of implementation (timing, phase in, organization, and rate of improvement) will determine the exact savings that can be achieved, but may reduce cost between \$637K and \$960 per year (Appendix A).

Comptroller personnel have also identified follow-on ABM study projects involving travel program administration and time and attendance reporting. Together, these two base-wide processes consume over \$1.1 million in the Comptroller's office alone. The Comptroller and his office should be congratulated on their continuing efforts to improve operations, reduce cost, and deliver a better service to their customers.

Contract Administration

The CAR has undertaken an effort to study contract administration at the air station. The Cherry Point model indicates that this process consumes almost \$3.8 million in the Facilities, Supply, Community Services, Operations and G6 directorates (Appendix B). In addition, some contracts (notably construction and facilities support) are administered by the ROICC or NAVFAC, for which the air station pays a 4-8% of contract value fee. Examination of these offices' workload, the cost of separate overhead, and requirements may yield significant results.

Training

The model identifies over \$5.6 million in scheduling, providing, and receiving various forms of training throughout the air station (Appendix C). The core team has begun analysis of this training to identify savings opportunities that may be available. The demand for training should be based on the organization's mission and the activities performed, and scheduled at appropriate times to minimize disruption of scheduled work. Properly planned and conducted, consolidation of training sessions, rather than individual training, can both improve the training provided and reduce cost.

Directorate Initiatives

As stated earlier, directors identified processes totaling over \$1.5 million for examination over the next few weeks. These include performing contract inspections, scheduling special physicals,

family services intervention counseling, air traffic control training, and providing logistic support to the NADEP. As demonstrated by the process flow charts presented to the Chief of Staff, these areas contain varying degrees of duplication, excessive rework, and wait time.

Family services intervention counseling, in particular, requires about three hours of administration for each hour of counseling, as presented by the Marine Corps Community Services (MCCS) director. This, in turn results in a backlog of 68 cases. In the near term, MCCS identified excess capacity within the Personal Services organization that can be applied to the process to eliminate the backlog, but a longer-term solution is required. Examination of this process to find the root cause for, or cause and effect relationships of the extensive effort expended in pre-counseling preparation and post-counseling reporting for each case will undoubtedly identify cost efficiencies that can be achieved without adversely impacting delivery of counseling services.

Providing Air Traffic Control (ATC) Training is another area of opportunity. The model indicates this process costs \$877K. ATC has identified that it had previously made significant improvements to its training program, and now had nearly doubled its training output. Two issues present themselves. First, a stated inhibitor to training throughput is the lack of air traffic. Second, there appears to be no expectation as to output quantity required for the ATC's training program, other than more is better. Both of these issues indicate that ATC may be training to a level not required by the air station or the Corps. Identifying the training requirement will set the level of effort required; excess capacity can be eliminated.

ATC also measured the effect of various previous improvement efforts and found significant productivity increases in all areas except Approach East. In April, the Office of the Chief of Naval Operations conducted an independent quality assurance evaluation. The evaluation indicates that approach control traffic has decreased approximately 40% over the last five years, and recommends the current five control positions in the ATC facility be sectorized into three. Implementation of this recommendation will undoubtedly reduce ATC resource consumption (the local Federal Aviation Administration Air Traffic Representative estimates potential 33 work years). The Director of Operations has been tasked to develop an implementation plan. Just as importantly, however, examination of the workload effects on other, supporting activities to the ATC facility, such as ATC maintenance, could yield similarly large savings opportunities.

The CAR's improvement opportunity matrix reflects an ambitious program of ongoing and anticipated improvement efforts with potential to significantly improve processes and achieve base-wide savings goals (Appendix D). The interest and dedication displayed during this short engagement leave no doubt that, with continued command support, the Cherry Point core team will successfully implement and grow its ABM program. Indeed, the CAR has identified, through review of the Efficiency Review Study process, the need to implement ABM techniques as the primary efficiency review methodology, and is organizing to provide better support to air station organizations.

Infinite Demand for Free Goods and Services

The air station has a mission to provide itself, tenant units, and other units with a wide variety of products and services. The perspective is that the air station is funded to provide that support. Therefore, to the customer - a deploying unit, a tenant, another staff element, or the local community - the support should be provided free of charge. What level of demand is or was envisioned for the level of funding provided? Is whatever the customer wants to be provided him

or her? Over time, customer demand for these "free" goods becomes what they want, rather than what is needed operationally. Wants become requirements.

The air station is not funded to satisfy the infinite demand of customers for goods and services. The air station must institute a means to control demand, since customers won't do that on their own. There are three alternatives: physically limit quantities of goods and services provided, charge fees, and a combination of both. All three alternatives will reduce funding requirements (generate savings). The latter provides the greatest flexibility to both the customer and the air station.

These alternatives are not appropriate for all of the support provided by the air station to its customers. However, there are numerous areas and types of support where they can be used to control excessive demand. Others need to be investigated. It is not necessary to recover total costs. The point is not full cost recovery, but demand and cost *control*. Partial cost recovery is simply a means to achieve that control and generate savings.